

Connector

News and views from the co-operative.



Chair's update

At the end of June we completed the first quarter of the new financial year, and our trend of strong revenue and earnings has continued throughout autumn despite many of the labour and supply chain challenges confronting the New Zealand construction sector. Likewise, the Government's recent measures to cool the housing market don't appear to have had any significant impact on residential maintenance activity at this point in time, so we maintain a confident business outlook for the remainder of the year.

These good financial results continue our theme from FY2021 which turned out to be the biggest ever financial year in our co-operative's history, and this success has allowed your Board and Executive to accelerate our strategic plan for re-investment in the business. This ongoing re-investment plan includes upgrades to our branch network across the country, and continuing improvements to our digital and technology solutions for the benefit of both our customers and the business.

One exciting area ahead of us is the recently approved scoping project to evaluate our future business and technology requirements across the co-operative. As we continue to develop and implement more transactional and digital capability, we also need to ensure that both our core and edge technology systems are robust and suitable

for our expected environment, so the project team will be seeking input from our staff, customers and suppliers over the next few months to evaluate our best future options.

In late May we started our annual NZPM Roadshows around the country, and for both CEO Rob Kidd and I it's been really nice to get back in front of our members physically rather than through the lens of a Zoom camera. To save time and reduce costs we amalgamated some of the roadshow venues this year, however we've been delighted with the turnouts to date, and it's fantastic to see so many new and prospective members interested in the value proposition offered by our co-operative.

One venue we unfortunately won't get to this year is our new Turangi branch (now our 55th branch) that opened in June to service our shareholders and customers in the central plateau region of the North Island. Following a similar venture in opening a branch in Twizel last year, Turangi is a great example of co-operating with another co-operative — ITM in this case — to grasp an economically efficient site opportunity that will stimulate growth in a regional location.

During the roadshows it's also been pleasing to share our financial success with our members by announcing an ordinary shareholder cash rebate dividend of 8% for FY2021, and obviously this is a significant improvement over the previous year's dividend of 5%. The declaration of this year's dividend allows the co-operative to pay an appropriate share of profit to our Shareholders, while preserving our liquidity position to manage our future commitments for the development and growth of the co-operative. The rebate dividend will be paid in September 2021 and will include the minimum \$300 base initiative that we introduced in 2018.

And finally, this year's NZPM Group Annual Meeting is scheduled for 4:00pm on Friday 20th August in Rotorua, and further information about the meeting and weekend can be found later in this edition of Connector. Aside from the usual meeting reports we've got some proposed changes for the constitution and recommendations following a

Chair's update cont.

review of Director's fees carried out by Strategic Pay for members to consider, together with the announcement of the successful candidates from our director elections.

Voting for the director candidates will commence in July, so I urge you all to consider who will be the best governors to support the future strategic direction

of your co-operative, and to follow the second Rochdale co-operative pillar of 'democratic member control' by exercising your vote in the election process.

John DeBernardo
NZPM Chair



A word from Rob Kidd, CEO

Now in our 57th year, NZPM is focused on building a long term sustainable co-operative business. That means balancing and developing the three very important aspects of financial, environmental and social stewardship.

We have initiatives in place to support, develop and grow each of these three features to ensure the longevity of NZPM while at the same time helping to safeguard our planet, along with protecting our people, the people we source our products from and society as a whole.

Financial

It is pleasing to let you know that the first two months of the new financial year have seen our group revenues continue to grow at similar rates as the full year 2021 finished. However, as you would expect, we have invested in some additional staff costs to deliver on these sales along with the expected normalisation of other costs which were one off savings last year.

Environmental

We have recently engaged the services of Green Start NZ to help us on the journey of ensuring our various environmental programmes are both achievable and measurable including the reduction

of carbon emissions, waste management and recycling opportunities.

A key environmental initiative we have begun is working with both Marley and Waste Management to trial the recycling of PVC off cuts. This trial is occurring at two of our branches, one in Panmure, Auckland and one in Porirua, north of Wellington and also on a construction site in Wellington with one of our shareholders.

Social

NZPM has a number of social responsibility initiatives under way including support of the three cancer charities (Bowel Cancer NZ, Prostate Cancer Foundation NZ and Gynaecological Cancer Foundation) — diseases that can easily affect many of our members or their families. We also support the Salvation Army, Eat Up NZ (which provide sandwiches for kids who would otherwise go hungry at school), and through our shareholding in Aquasource, an annual donation to orphaned and children in need in Southern China.

As I have been talking to during the 2021 Shareholder Roadshow, our collective biggest challenge over the next 6 – 12 months will be trying to manage and minimise the disturbance in our supply chain, which comes about from a circa 25–30% increase in global demand for products, container shortages, shipping delays and a poor NZ transport infrastructure. The increased demand on raw materials and associated supply chain problems are also resulting in continual and significant cost and price increases that are outside both suppliers and merchants' control.

I have heard that a growing number of shareholders are sensibly pricing contracts, fixing their price for a 2–3 month period along with tagging quotes 'subject to product availability at time of the work being undertaken'. I know this timeframe is not normal but it is one of the most prudent things you should consider doing during this period of such supply uncertainty.

Our focus on own brand, exclusive and strategic products is helping to offset at least some of the

A word from Rob cont.

supply chain challenges along with shareholders receiving the special quarterly Gold Rebate (which was almost \$390k over the past twelve months) when purchasing LeVivi, TIVA, the Metrix range, Pipe King and Toto products.

We are continuing to develop both our business process improvements and technology platform and offers (e.g. pwGO App and Online). Over the next few months we are undertaking a Business and Technology scoping project incorporating information from both our front line staff and a wide

sphere of shareholders and customers. This piece of work will help us understand the future needs of our customers and enable us to roll out changes and improvements in technology that will help your business — while at the same time increase the overall sustainability of NZPM.

Thank you for your ongoing support of NZPM, Metrix and Plumbing World — we really appreciate it.

Rob Kidd
NZPM Chief Executive Officer

Proposed changes to the NZPM constitution

Our NZPM Constitution was last reviewed in 2016, so we recently undertook a review of the document to ensure it remains compliant with legislation, and is fit-for-purpose in our current and future co-operative environment.

We've received a range of suggested changes from our legal advisers Buddle Findlay, and will recommend an updated constitution to our shareholders for consideration at our next Annual Meeting in Rotorua on Friday 20 August 2021. The main recommendations to be presented to shareholders are:

1. Amend the director rotation provisions which require two elected directors to retire by rotation each year. The amended provision will insert a rider that rotation is only required upon a director completing a three year term.

The company currently has five elected directors which requires one of the elected directors to retire by rotation after having served only two years. The company believes that the amended clause will be more attractive to current and future director candidates.

2. Removal of the mandatory retirement age of 70 years from the constitution. The current grounds for disqualification of a director by age is discriminatory under Human Rights Act 1993.

3. Amend the terms for the removal of a director so that a unanimous vote of the remaining directors is required. The changes confirm that a director subject to a removal vote is not able to veto the resolution.

4. Changes to the constitution to allow electronic means for director elections, meetings of the board and meetings of shareholders.

These changes update the constitution for current communication technologies and remove the requirement for special resolutions by the board.

In addition to the above matters, there are a number of minor amendments proposed to remove inconsistencies and improve clarity.

The detailed changes to the constitution will be set out in NZPM's formal Notice of Meeting to be issued in late July to Shareholders. A marked copy of the proposed changes to the constitution will be placed on our website.

Ordinary shareholders will be invited to vote on the changes either by casting a proxy vote prior to the meeting or by voting in person at the meeting. The changes require the approval of a majority of 75% or more of the shareholders entitled to vote and voting on the matter.

Brett Cruickshank
Chief Financial Officer

Annual General Meeting

Friday 20th August, 4pm— In Rotorua

Well we can't take you away to exciting overseas destinations at the moment, however we can bring you the best of beautiful NZ. This year we are delighted to offer you the opportunity to extend your AGM weekend with your co-operative. **Registrations are now open. To register and for more information visit nzpm.co.nz/events.**





Director's point of view

Two and a half years ago in my role as a director of NZPM Co-operative I was appointed as both a member of the Board's Audit and Risk Committee, and also as Chair of the Membership Committee. Little did any of us realise the additional pressure and workload that both of these portfolios would be put under during the past twelve months.

Our Audit and Risk Committee ably chaired by our Appointed Director Kathy Meads completed its review of the audited Financial Statements for FY2020 during the level 2 and 3 lockdowns last year, and we have just completed our review for FY2021. In both cases we completed this work in a timely manner through the diligence and hard work of both our Executive and Management team, and our auditors, Deloitte.

Moving on to Membership Committee, we've all heard it said that the best form of defense is to attack

or to move forward. That is exactly what has been happening since the start of the Covid-19 pandemic, with net shareholder growth of 5.8% exceeding our five-year compound growth rate of 4.2%. I am pleased to report that we now have over 972 Ordinary Shareholders, and it looks like we are on track to exceed the 1000-member milestone this year. This has occurred through both the hard work of our staff, and the positive message that is getting out into the wider construction community of what a fantastic trajectory that Metrix, Plumbing World and NZPM are on.

That increased membership, a greater share of wallet from existing shareholders, and the buoyant building industry sector all combined to contribute to an extraordinary year end result that not only produced a fantastic rebate dividend for our members, but has also provided NZPM the ability to fund future investment in the business. That investment will include our ongoing digital and technology and branch improvement programmes, our people, and our environmental and social responsibility as a co-operative.

Finally, one thing that both myself and my fellow Membership Committee members do each month is to make contact with all new shareholders to welcome them aboard. At the same time, we try to find out a little about their business and ask them what we could do better as a co-operative. Overwhelmingly they are happy to be involved with NZPM and all it has to offer, but at a business level we are hearing they are pretty much all affected by the well publicised global supply chain pressures and national skill shortages. With continued strong demand in the construction sector, we expect that our members will continue to face these challenges for a good number of months.

Craig McCord

NZPM Group Ltd – Rebate Dividend 2021

NZPM Group Limited has announced that the Ordinary Shareholder rebate dividend for the year ending 31 March 2021 has been set at 8.0% of Grade-A Cash, and will be paid in late September 2021.

Our operating profit before net financing costs, dividends and taxation for the year ended 31 March 2021 increased by 80% to \$21 million, and the rebate dividend payment of \$8.9 million represents a 70% increase over the prior year dividend payment, albeit this is spread over a larger pool of Grade-A Cash.

This level of rebate dividend is based on an extraordinary and unusual year for our NZPM co-operative, as along with nearly every other organisation worldwide, we faced significant disruptions to our business and operations due to the COVID-19 pandemic. With the interruption and uncertainty of COVID-19, we responded by reducing expenditure on a range of discretionary expenditure items including marketing, travel and events and worked with our landlords to secure rent reductions for the period when the business was in Alert Level 4.

These combined savings were a net reduction of \$5.5 million over the prior year and provided a non-recurring boost to earnings.

The rebate dividend payment continues to be set at minimum of \$300 per Ordinary Shareholder to recognise the support from Shareholders who have invested capital of \$10,000 but whose purchases do not generate a minimum rebate of \$300. This base payment ensures that all Ordinary Shareholders earn a rebate dividend of at least 3% on their capital invested, while continuing to reward Shareholders based on their level of trading with Plumbing World.

Rebate dividends are an important part of our co-operative value proposition along with service, stock levels, everyday competitive pricing, quarterly Go for Gold exclusive product rebates, Maxpoints, dividends on other classes of shares and NZPM Extra benefits.

The Directors, management and staff of NZPM wish to thank all our Shareholders for their continued support of NZPM.



Metrix update

The new financial year has started strongly with commercial projects initially put on hold with the uncertainty of last year now going ahead with large volumes of Metrix product in them, being supplied via Plumbing World and our shareholders. We are also seeing an unprecedented number of consents for residential homes in both new build and renovation being fitted out with high-end fixtures as people are spending more time in their homes.

The brands we represent are what differentiates Metrix from similar competitors in the market — the Metrix brands are world renowned for their aesthetics, performance and innovation. Brands such as Duravit, Paini, Dornbracht, Vola and Kaldewei are recognised internationally for the luxury and innovation they offer — as a shareholder, supporting Metrix and these brands means a greater return for NZPM and therefore, yourself. It also importantly ensures your

clients have the most beautiful bathroom products available in New Zealand.

Our newest brand within the Metrix portfolio is Effe from Italy. Effe is an evolutionary interpretation of wellbeing in the bathroom. Using state-of-the-art technologies and user-friendly designs, Effe expresses a different kind of lifestyle with their range of saunas and hammam steam showers offering the ultimate place of indulgence to relax, revitalise and rejuvenate the body and mind.

There is a deep-rooted connection between spaces and personal wellbeing and the effect on our minds and emotions. One of the fast-growing areas of wellness designs globally, is spas — where hammams, saunas, showers and baths are designed to adapt to the demands of a fast moving, world in which people are seeking to reduce stress levels and regenerate the spirit.

We have just installed their sauna and steam shower in our Metrix showroom in Parnell, Auckland — we would love you to come and see what this beautiful product could offer your clients.



Karin Cunningham
Metrix General Manager



NZPM is pleased to offer all our Shareholders a **20% subsidy** on Master Plumber Training Courses.

Simply visit masterplumbers.org.nz/training to see what courses are available and what is coming up. These training courses will continue to be updated throughout the year.

To receive NZPM's 20% subsidy on your selected training course, enter the discount code **NZPM20** at registration/checkout.

Exclusive offer to NZPM Shareholders!

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Offer valid on approved
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Social Responsibility

Habitat for Humanity

Plumbing World got a big thank you from Habitat for Humanity when we kindly donated end of line kitchen and bathroom plumbing supplies.

These items will be used in their Home Repair Programme which provides affordable home maintenance and repair solutions specific to home owner's needs. From minor repair to major projects, they offer unique services to address the challenges associated with keeping homes warm, dry, healthy and safe.

Plumbing World chose to support Habitat as we had dealt with them before and fundamentally we support and believe in the work they do, which can be sometimes so thankless. So on behalf of Plumbing World, thank you to Habitat for the work they are doing in our community to help those that really need support to live in better conditions.



Northern Region Golf Day 2021

In March we held our annual Northern Region Golf Tournament which was postponed twice — third time's a charm! It was another fantastic day, both with the weather and with the turnout from customers, staff and suppliers.

Over the last few years we have been gradually ramping up the charity fundraising side of the event and this year we're incredibly proud to say that thanks to the generosity of the people that donated gifts, and the customers that purchased them, we have managed to raise an incredible **\$7,500 for HeartKids New Zealand**.

Thank you to everyone involved. We look forward to our 7th annual event when we bring things back to their normal slot in November 2021.



Gumboot Friday

Thank you also to everyone at Plumbing World who ALL did an amazing job supporting Gumboot Friday. Thanks to everyone's generosity and encouraging our customers to donate too, we have raised just over **\$9,500** — that is fantastic and this all goes towards free counselling for kids in need, which will greatly help with their mental health for both now and in the future.



NZGCF

The New Zealand Gynaecological Cancer Foundation is working to make change. Do you know what a gynae cancer is? Do you know the signs and symptoms? In a recent survey, 90% of women could not name a single symptom of Ovarian Cancer before their diagnosis and most experienced significant difficulties in accessing the blood test and ultrasound required to find their cancer. Ovarian Cancer is the least survivable women's cancer and the survival rate is less than half that of those diagnosed with breast or prostate cancer. Follow them on Instagram and Facebook and go to their website for more information on all gynaecological cancers. To make a donation with your MaxPoints simply go to the MaxPoints website.



Obituary - Eric Shaw

In mid-June we were deeply saddened by the loss of former NZPM Group Chairman Eric Shaw who passed away following a period of ill-health. Eric was elected to the NZPM Board in 1981, appointed to the role of Board Chair in 1995, and he retired in 2004 after reaching the co-operative's compulsory retirement age.

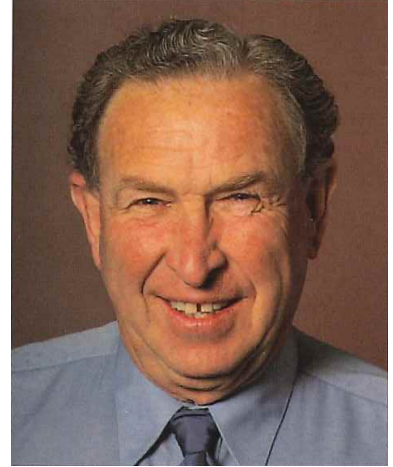
Eric had a long and proud association with NZPM, signing up as a foundation year Shareholder in 1964 after earlier receiving advice from his late father and boss Alby, who'd put up the initial £50 subscription, saying "If anything should happen to me, you be sure to subscribe for shares when required!". Eric took that advice, and EC Shaw Plumbers is now a third-generation family owned and operated business, still based in Mosgiel, and run by Eric's son Ken.

Always a real gentleman, Eric will be fondly remembered for his involvement in the wider industry as a Life Member and President of Otago Master Plumbers Association from 1969-1971, and as National President of the NZ Society of Master Plumbers and Gasfitters from 1974-1975. Eric's passion for Master Plumbers also saw him co-author a 100-year

commemoration book for Otago Master Plumbers Association in 1997.

Eric was a guest speaker at our NZPM 50th year Annual Meeting in 2014, and some of those present on the day will recall his stories of the trials and tribulations of the co-operative during its formative years. He also told members how he felt privileged to have been a part of that history, and how those words of fatherly investment advice more than 50 years earlier had rewarded him beyond belief.

The NZPM Co-operative extends our deepest condolences to Carol and their extended families on their loss.



Shareholder loyalty



50 YEARS

Temuka Plumbing Co



30 YEARS

Tony Allnutt



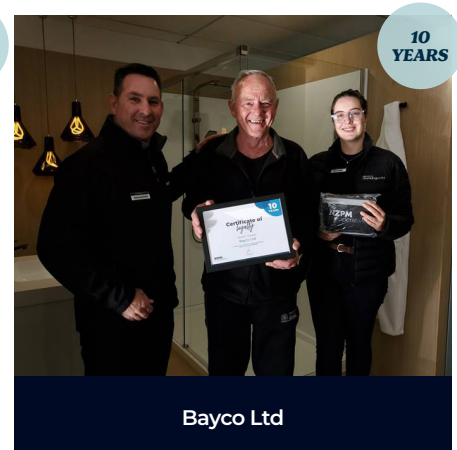
20 YEARS

Pete's Plumber Services



10 YEARS

Scotties Potties



10 YEARS

Bayco Ltd

#23 Beat the big C

We're helping Kiwis check their plumbing.

Some of New Zealand's most dangerous cancers are the ones we don't like to talk about. So we're lending our support to help raise awareness about prostate, bowel and gynaecological cancers.

And remember, if in doubt, get it checked out! You can find out more at plumbingworld.co.nz



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PUMA

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ToolWare

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PLUMBING SYSTEMS

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NZPM's Mission

To contribute to our members' business success by representing their interests and delivering performance excellence.

Part of our NZPM Co-operative
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